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FISCAL IMPACT STATEMENT

LS 6120

BILL NUMBER: SB 14

NOTE PREPARED: Jan 24, 2008

BILL AMENDED:

SUBJECT: Elimination of State Property Tax Levies.

FIRST AUTHOR: Sen. Boots

FIRST SPONSOR: Rep. Battles

BILL STATUS: As Passed Senate

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill eliminates the statewide ad valorem property taxes imposed for the State Forestry Fund, the State Fair, and the Department of Local Government Finance (DLGF) data base management.

Effective Date: July 1, 2008.

Explanation of State Expenditures: The state pays Property Tax Replacement Credits (PTRC) in the amount of 60% of school General Fund levies attributable to all property. The state also pays 20% of the portion of operating levies (including the remaining 40% of the school GF levy) that are attributable to real property and non-business personal property. Homestead credits are paid by the state in the amount of 20% of the net property tax due for qualifying funds on owner-occupied residences.

The bill first becomes effective for taxes payable in CY 2010. Under this provision, subject to appropriation, annual state PTRC and Homestead payments in CY 2010 would be reduced by approximately \$2.1 M; in FY 2010 (partial year) savings would be approximately \$1.0 M. Assuming that PTRC and Homestead payments would be fully funded after CY 2010, annual state savings are expected to be similar to those in CY 2010. PTRC and Homestead credits are paid from the Property Tax Replacement Fund.

Explanation of State Revenues: This bill would eliminate the property tax levies for the State Forestry Fund, the State Fair, and the DLGF data base management. The loss to the State Forestry Fund would be approximately \$5.2 M; the State Fair would lose approximately \$2.7 M, and the DLGF data base management would lose approximately \$100,000. The total loss in revenue would be approximately \$8.0 M in CY 2010. The loss in revenue after CY 2010 is expected to be approximately the same.

Background: The property tax rate for the State Fair Fund is \$0.0008 per \$100 of Assessed Value. The rate for the State Forestry Fund is \$0.0016 per \$100 of Assessed Value. Of the \$0.0016 rate, \$0.00003 is appropriated to the State Budget Agency for the DLGF.

Explanation of Local Expenditures: Forty-nine counties currently provide additional Homestead credits that are paid with proceeds from a combination of county option income taxes (COIT) and county economic development income taxes (CEDIT). These credits would decline by approximately \$242,000 in CY 2010. COIT proceeds that are not used for county homestead credits (\$92,000) are distributed to civil taxing units as certified shares. CEDIT proceeds that are the result of the additional rate allowed for Homestead credits may only be used for Homestead credits. The reduction would be \$150,000.

Explanation of Local Revenues:

State Agencies Affected: State Fair Board; Department of Natural Resources; DLGF.

Local Agencies Affected:

Information Sources: Local Government Database; *Indiana Handbook of Taxes, Revenue, and Appropriations*.

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